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April 17, 2020

COVID-19 CAPITAL MARKETS UPDATE

How do Swedish listed companies communicate with their shareholders during the crisis? What happens around the AGMs? When do they issue profit warnings?

Fogel & Partners monitors the capital market communication trends in Sweden and has summarized the main events in this document.



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What has happened since April 14?

Examples of actions



MQ Holding AB filed for bankruptcy this Thursday. The reason behind the decision was the heavily reduced sales during March and the beginning of April, effects which are expected to last longer than COVID-19.

16 April 2020, 09:00.

KUNGSLEDEN

Kungsliden's Board of Directors announced that they will withdraw its dividend proposal, although the effect of COVID-19 has been limited. The decision is a precautionary measure due to the market's uncertain economic development.

9 April 2020, 08:00.



Concentric announced that they will withdraw the proposed dividend of SEK 4.50 as well as the proposed increase of Board remuneration due to the market situation caused by COVID-19.

15 April 2020, 08:30.



Clas Ohlson communicated that they have seen a significant increase in online sales, although the total sales decreased. The company also communicated measures taken due to COVID-19, including temporary lay-offs and reduced working hours for office employees.

14 April 2020, 07:00.

BJÖRN BORG

Björn Borg announced that they will postpone the annual general meeting, due to the situation caused by the corona virus.

14 April 2020, 13:00.



VBG GROUP

VBG Group announced that they will withdraw their dividend proposal of SEK 5.00 due to the economic uncertainty caused by the corona virus outbreak.

16 April 2020, 10:30.

Updates related to the capital market:

- The car industry is slowly starting to open the factories again. Volvo Cars opened their factory in Gothenburg today. Other companies doing the same are for example Volkswagen and Daimler.
- According to UC, the total number of bankruptcies are expected to increase by 28 per cent in April, compared to last year. Within retail, the number is 74 per cent and within the hotel and restaurant industry, the same number is 19 per cent.
- Per Bolund, Minister for Financial Markets and Housing, said to Dagens Industri that he was surprised by the companies weak resistance, and said that a mandatory buffer for companies could be a future solution.
- According to Valuegard and TT, the effects of COVID-19 have now reached the housing market and the housing prices decreased during the second half of March and the first two weeks of April in both Stockholm and Gothenburg.

The total numbers this far...

#90

companies have communicated negative impact or profit warnings



#29

companies have communicated neutral guidance



#63

companies have implemented or will implement cost savings programs

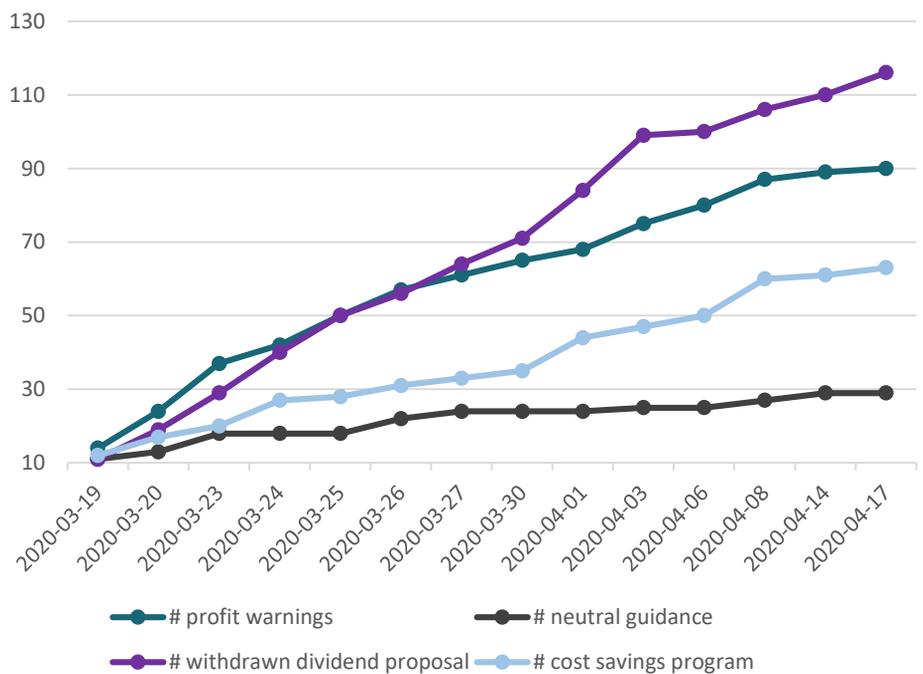


#116

companies have withdrawn or reduced their dividend



Communication activities since March 19





Examples of companies who have issued profit warnings or communicated negative impact on business from covid-19

Examples of guidance

"Regrettably, we have had to start implementing reduced working hours in the markets affected by the corona situation. Globally, this will affect tens of thousands of employees in all parts of the business, although it is not currently possible to specify an exact number. Local legislation has different definitions and conditions for temporary lay-offs or reduced working hours. We are also reviewing the need for any redundancies."

- H&M

"Given the current market situation, Scandic is providing an update on the company's financial performance and the extensive cost-saving measures. During the period January–March 2020, the Group's net sales totaled 3,344 MSEK, a decrease of around 18 percent compared with the first quarter 2019.

For comparable units, the decline was 17 percent."

- Scandic Hotels

"Swedbank has also decided to increase its efforts to mitigate the effects of the COVID-19 pandemic on our customers. These initiatives include increased accessibility in channels that do not require physical meetings, such as the telephone bank and the digital channels. [...] The financial strains caused by the COVID-19 pandemic will be extensive in our home markets. With our strong financial position in terms of capital and liquidity, Swedbank has good possibilities to support its corporate and private customers. Deteriorating macroeconomic forecasts do, however, lead to an increase in our credit impairments "

- Swedbank

F&P comments

#90

profit warnings on Nasdaq Stockholm as of 17 April 2020

There has been only one new profit warning since the last update, most probably because most companies have already communicated these and also because the Q1 reporting.

lundin mining

BRANE
BIOPHARMA

Indutrade

KARNOV
GROUP

Examples of companies who have communicated **neutral impact** on business from covid-19

Examples of guidance

“Karnov assess that the virus pandemic will have no impact on online revenue on a short-term basis. For the remaining 15% of revenues which is Karnovs non-subscription based offline business, mainly books and sales of legal training courses, it is expected that the virus pandemic will have some effect on a short-term basis.

However, the effect is expected to be non-significant which to some extent will be offset by timing during later periods.”

- Karnov Group

“At present, we have not experienced any significant disruptions in the supply chains and among the subsidiaries with own manufacturing, production is continuing with the exception of two units in Asia, which have been temporarily closed due to local regulations from authorities. However, the situation is changing continuously. A number of our companies have noted a major volume decline and are now taking measures to reduce costs, for instance short-term layoffs, adapted to respective business and country in which they operate. At the same time, we are seeing a strong development with increasing volumes in, among others, the medical technology companies.

- Indutrade

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#29

neutral comments on Nasdaq Stockholm as of 17 April 2020

Several companies have announced that their operations so far are relatively unaffected. However there are still many companies who haven't commented Covid-19 and are thus likely to not be severely affected.



Examples of companies who have communicated positive impact on business from covid-19

Examples of guidance

"Sedana Medical AB today announced that the company sees increased demand for AnaConDa as a result of the Covid 19 pandemic and so far, has had no significant supply chain disruptions. Sedana Medical forecasts a sales increase of about 50 percent for the first quarter of 2020 and about 100 percent for the month of March, compared to the same periods last year."

- Sedana Medical

"Swedish Orphan Biovitrum AB announces today that revenue and EBITA in March are impacted by increases in demand related to the ongoing COVID-19 pandemic."

- Sobi

"Getinge's multiple efforts to support hospitals and patients affected by COVID-19 has contributed to order intake for the first quarter 2020 being higher than expected by the market. Order intake for Q1 2020 increased by 47.2% organically compared to Q1 2019."

- Getinge

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#6

positive comments on Nasdaq Stockholm as of 17 April 2020

The number of companies issuing positive guidance continues to be low. These companies can to a large extent be found within the health sector.

Companies



AB | SAGAX



Examples of comments

"Prior to the Annual General Meeting on April 24, Bravida's Board of Directors has decided to withdraw the proposals for dividend and the introduction of a long-term incentive program (LTIP) 2020. If allowed by external conditions, the Board's ambition is to convene an extraordinary general meeting during the autumn to resolve on the proposals."
– Bravida

"As a result of COVID-19, macroeconomic conditions have deteriorated and uncertainty has increased. [...] Accordingly, as a precautionary measure, the Board of Directors has adjusted the dividend proposal for Class A and Class B common shares."
– Sagax

"The impact of the corona virus outbreak and its economic impact is currently difficult to predict. Due to the economic uncertainty, the Board of Directors considers that it is justifiable for reasons of caution to withdraw the dividend proposal and propose that the Annual General Meeting 2020 decides that no dividend should be distributed for 2019."
- VBG Group

"As a precautionary measure, with respect for the fact that it is currently difficult to gain an overview of the developments resulting from COVID-19, the Board proposes to the Annual General Meeting that no dividend be paid. The Board intends to wait until it is possible to gain a better overview of the consequences of the COVID-19 pandemic and if the conditions allow, its ambition is to hold an Extraordinary General Meeting in the autumn of 2020."
- Kungsliden

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#110

companies have announced that dividend proposals for 2019 will be withdrawn as of 17 April 2020

Many companies have withdrawn their dividend proposals entirely, and in recent days a few companies that previously have decreased the proposed dividend have now withdrawn it entirely.

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Several companies have announced that their annual general meetings will be postponed or reorganized into a digital/hybrid version. Many recommend the shareholders to vote through a proxyholder and will improve the possibilities to attend the AGM digitally.

Digital or hybrid versions of AGM



AGM postponed



Examples of actions around the AGM:

- Webcasting of the entire AGM
- Use of digital identification tools for voting (less common)
- Encouraging and assisting shareholders to use proxy-voting, or voting by mail
- Key company representatives to participate through video link
- Not serving food or refreshments
- Encouraging shareholders who feel ill/belong to a risk group, to not attend the AGM

Examples of comments

“The reason for Volati’s AGM postponement is the Swedish Government’s decision to ban public gatherings and public events with more than 50 people, which is guiding also for other types of gatherings. Volati will come back with an Annual General Meeting notice no later than four weeks before the new meeting date.

- Volati

“Balder also wants to encourage shareholders to exercise their voting rights through a proxy. To enable shareholders to vote without physically attending the Annual General Meeting, the registrar Computershare offers a service to shareholders who have registered to attend the Annual General Meeting.”

- Balder

“The Board of Directors of Nederman Holding AB has resolved that shareholders in Nederman shall be able to exercise its voting rights at the Annual General Meeting 2020 (the “AGM”) by advance voting. The intention is to minimize the number of people gathered at the location of the AGM, as a part of the effort to minimize the risk of spreading the coronavirus COVID-19. Nederman encourages all shareholders to, in the manner stated below, exercise the possibility to advance voting.”

- Nederman

Companies



Examples of comments

"Staff levels in stores are being continuously adjusted through temporary lay-offs based on the prevailing conditions in the form of higher sickness absence than normal and the shorter opening hours and restrictions applicable in each country.[...] A number of long-term cost-saving measures, for example, in the form of reductions among the office organisation, have been initiated. Talks have been initiated with all tenants to find a constructive solution for both parties as regards lease and payment terms."

- Clas Ohlson

"Tobii has initiated a program to adapt costs to a lower revenue level short term. The program includes activities to decrease discretionary expenses, reduce the number of consultants, a company-wide temporary work reduction program and a temporary salary reduction for the executive management team. In addition, the company will implement structural changes to accelerate the path to profitability for the division Tobii Tech, and will therefore give notice of termination to up to 50 permanent employees."

- Tobii

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#61

companies have announced cost savings programs as of 17 April 2020

During the past two days, there has been a slight increase in the number of companies announcing cost savings programs.